

THE ROLE OF TAXES IN BUSINESS DECISIONS
(SEPTEMBER INTENSIVE)

Fall 1998

Professor Michael Knoll

Faculty of Law
University of Toronto

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FACULTY OF LAW
UNIVERSITY OF TORONTO

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Course Materials:

Required Book:

Myron S. Scholes & Mark A. Wolfson, Taxes and Business Strategy: A Planning Approach (1992)

Additional Required Readings:

A packet containing the newspaper and magazine articles listed below as readings and the problems

1. Introduction

From the Editor, Derivatives (May/June 1997), readings

Scholes & Wolfson, chapters 1 and 2 (introduction and section 1)

Wealthy, Helped by Wall St., Find Ways to Escape Tax on Profits, NY Times, December 1, 1996, readings

Wall Street Concocts Tax Saving Ploy, then its Feds Turn, Wall Street Journal, November 6, 1997, readings

The Principal Elements of Step-Down Preferred, Wall Street Journal, November 6, 1997, readings

2. Savings Vehicles

Scholes & Wolfson, chapter 3 (including problem 3.1)

A Hot Investment Entices, But It's Not Always Wise, New York Times, November 6, 1994, readings

New Rules Allow Many More People to Get Tax-Deductible IRAs, Wall Street Journal, July 30, 1997, readings

3. Implicit Taxes and Clienteles

Scholes & Wolfson, chapter 5 (including problem 5.1)

A Break for Students, New York Times, July 15, 1997, readings

4. Tax Arbitrage and Limits to Tax Planning

Scholes & Wolfson, chapter 6 (including problem 6.2)

Tax Swap Strategy, Forbes, February 14, 1994, readings

5. Compensation

Scholes & Wolfson, chapter 11 (introduction and sections 1,2, 4 and 5)

Special Tax Breaks Enrich Savings of Many in the Ranks of Management, New York Times, October 13, 1996, readings

Scholes & Wolfson, chapter 10 (section 4)

Incentive Stock Option Problems

The Next Best Thing to Free Money, Fortune, July 7, 1997, readings

6. Effective Marginal Tax Rates

Scholes & Wolfson, chapter 8 (introduction and section 1)

Effective Marginal Tax Rate Problems

Bonds Face New Rival: Preferred, Wall Street Journal, December 2, 1996, readings

7. Financial Innovation

Scholes & Wolfson, chapter 20

Coupon Stripping Problems



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